



PSC NEWS

Missouri Public Service Commission

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PSC DENIES ALLTEL REQUEST TO BE PRICE CAP REGULATED

Jefferson City (July 22, 2004)---The Missouri Public Service Commission has determined ALLTEL Missouri, Inc. is ineligible to elect price cap status in Missouri. As a result, the telephone company will continue to operate as a traditional rate-of-return regulated company. Price cap status would have allowed ALLTEL to adjust rates with limited Commission oversight.

ALLTEL Missouri, Inc. had previously notified the Public Service Commission of its intent to be regulated under the "price cap" provisions of a 1996 Missouri state law. As a reason for electing "price cap" status, ALLTEL Missouri, Inc. indicated Missouri State Discount Telephone (MSDT) and Universal Telecom, Inc. (Universal) had certificates and were providing basic local telecommunications service in ALLTEL's service area.

The Commission noted in its order that the type of service offered by MSDT and Universal is often referred to as "prepaid" service. Under "prepaid" service, the customer typically must pay in advance in full for the month of service. In addition, customers of "prepaid" service are usually limited to certain basic local services and have no access to toll or fee services.

"Price-cap regulation, a transitional status between traditional rate-of-return regulation and deregulated competition, permits ratemaking without the traditional oversight and regulation of the Commission. This is the principal benefit that the legislature intended to confer on qualifying carriers through the price cap statute," the Commission stated in its order.

The Commission closely reviewed the price cap statute in determining this case. The Commission noted in its decision: "MSDT and Universal provide only a few basic local services. MSDT and Universal are not providing all the essential services and minimum service features required in the Commission rules. They do not provide such basic services as access to local operator services, directory assistance, equal access to interexchange carriers, or assistance programs for economically disadvantaged or disabled customers. At rates that are more than five times the cost of similar residential service from ALLTEL and very restricted, the services offered by MSDT and Universal are in no way a substitute or competitive service to ALLTEL's customers."

The Commission determined that MSDT and Universal do not "provide basic local service" as the state statute intends and, therefore, ALLTEL does not meet the statutory requirements to be price-cap regulated.

ALLTEL Missouri, Inc. serves approximately 69,000 access lines in Missouri.

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